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ABSTRACT

In an audit of the records and procedures for ASA Institute of Computer and Business Technology, Inc. (ASA), the New York Office of the State Comptroller determined that ASA was overpaid $696,352 because school officials incorrectly certified certain students as eligible for Tuition Assistance Program (TAP) awards. This error was discovered using a statistical sample of 103 randomly selected awards from the 1,896 awards the school certified during the 3-year period ending June 1994. From the statistical sample, 44 awards totaling $45,738 were disallowed, and using a 95% confidence level, statistical projections were made to determine the total amount overpaid to the school. In response to ASA objections to the audit and its claims, this document serves to clarify the reasons that some disallowances were dropped and others retained. Disallowances from the audit resulted from students who graduated without meeting requirements, students who did not graduate and did not attend school full-time, or had insufficient course hours, excessive make-up class hours, and courses missing less than 10% of State Education Department (SED)-approved hours. Recommendations include recovering the $696,352 plus interest incorrectly paid to the school, and ensuring that ASA complies with state mandates. (YKH)

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Tuition Assistance Program (TAP) at ASA Institute of Computer and Business Technology, Inc.

Audit for 1991-1992 through 1993-1994 Academic Years.

Report 95-T-5 (revised)

Carmen Maldonado

New York State Office of the Comptroller

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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 23, 1998

Mr. Richard Mills
Commissioner
State Education Department
Education Building
Albany, NY 12234

Mr. Robert J. Maurer
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: ASA Institute of Computer and Business Technology, Inc. (Formerly Advanced Software Analysis, Inc.)
Report 95-T-5 (Revised)

Dear Mr. Mills and Mr. Maurer:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law and a Memorandum of Agreement dated December 1, 1989 involving the State Comptroller, the Commissioner of Education, the President of the Higher Education Services Corporation (HESC), and the Director of the Budget, we audited the records and procedures used in administering the Tuition Assistance Program (TAP) at ASA Institute of Computer and Business Technology, Inc. (ASA) for the 1991-92 through 1993-94 academic years.

Summary Conclusions

According to Section 665(3)(b) of the State Education Law, we have determined that ASA was overpaid $696,352 because school officials incorrectly certified students as eligible for TAP awards. We tested the accuracy of ASA's TAP certifications for the three years ended June 30, 1994 using a statistical sample of 103 randomly selected awards from the 1,896 awards the school certified during that period. From our statistical sample, we disallowed 44 awards totaling $45,738. Our statistical projection of these audit disallowances to the entire population using a 95 percent confidence level, results in an audit disallowance of $691,652. We also disallowed five awards

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totaling $4,700 based on our review of other awards from outside the sample period. We recommend that HESC recover the total $696,352 in overpayments plus applicable interest from ASA.

We originally issued a final audit report of ASA on August 22, 1996. That report recommended a disallowance of $847,461. Subsequent to issuing the report, additional relevant documentation was provided by ASA and the State Education Department (SED) that supported certain students TAP award eligibility. We issued a revised draft audit report on February 14, 1997 that recommended a disallowance of $696,352. After reviewing ASA's response to that draft audit report, we issued a final audit report, dated July 3, 1997, that recommended the same disallowance of $696,352.

ASA filed a lawsuit on November 3, 1997 objecting to the audit report because it did not include sufficient details to explain the basis for the disallowances. We withdrew that report in a letter dated December 16, 1997. A revised draft audit report was presented to ASA with additional information on the reasons why certain disallowances in the 1996 and 1997 audit reports were retained and others were dropped. In response to our latest draft report, ASA officials continue to contend that we did not provide them with sufficient documentation in the report and subsequent schedules of audit disallowances. Officials claim that they are unable to determine the reasons that we dropped some disallowances, while retaining others. In addressing their concerns, we took additional steps to provide ASA officials a thorough explanation of each disallowance retained and dropped. We believe that this documentation adequately explains the audit disallowances.

Background

ASA, a two-year registered business school located in Brooklyn, was formerly part of Advanced Software Analysis, Inc. In November 1994 ASA separated from Advanced Software Analysis, Inc. ASA offers various computer and business-related programs, including two accounting programs leading to a certificate. These accounting programs are approved by SED as eligible for TAP awards.

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of programs.

The issues discussed in this report were provided to HESC, SED and ASA officials for their review and comments. HESC and SED agree with the findings in this report. However, ASA officials disagree with most of the findings. We have considered their comments in preparing this final report.

Audit Scope

The objective of our financial and compliance audit was to determine whether ASA's management complied with appropriate law, rules and regulations for certifying students as eligible for TAP awards. The scope of our audit did not include reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

According to HESC's records, ASA certified 1,014 students for 1,896 TAP awards totaling $1,929,062 in the 1991-92, 1992-93 and 1993-94 academic years. We selected a statistical sample of 103 awards totaling $106,019 paid on behalf of 71 students for the three-year period ended June 30, 1994. We also reviewed other awards that came to our attention.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations of ASA which are included within our audit scope. These standards also require that we review and report on ASA's internal control system and its compliance with the law, rules and regulations that are relevant to those ASA operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying such other auditing procedures as we consider necessary. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and doing our audit of ASA, we reviewed management's internal control system. Our audit was limited to a preliminary review of the internal control system to obtain an understanding of the environment and the flow of transactions through the accounting system and other systems supporting the claims for students' financial aid.

ASA management is responsible for complying with law, rules and regulations relating to students TAP eligibility. In connection with our audit, we did tests of ASA's compliance with certain provisions of the law, rules and regulations. Our objective in performing these tests was to obtain reasonable assurance that the amount of TAP ASA received was allowable. Our objective was not to provide an opinion on ASA's overall compliance with such provisions.

The results of our audit indicate that for the transactions tested, ASA was generally not in compliance with most provisions in the law, rules and regulations relating to TAP eligibility, as noted in the following sections of this report. As a result, ASA failed to demonstrate that all of the TAP awards which it certified for the audit period actually satisfied eligibility requirements. For example, we identified students who graduated from ASA, but who did not meet the minimum program hour requirements. We also identified students who did not take enough course hours in the core curriculum approved by SED to provide the needed skills and competencies to satisfy the occupational objectives of the program.

ASA officials contend in their latest response, that we treated disallowances for certain students inconsistently because we eliminated certain disallowances but maintained others that were based upon similar facts. They also contend that we treated disallowances differently for students at other schools. However, the circumstances of students and the schools varied and all determinations were based upon the facts of each specific student's TAP award eligibility. We eliminated disallowances at ASA and for other schools only where subsequent documentation provided a reasonable basis to conclude that the appropriate number of course hours were provided by a licensed or qualified teacher. In a number of cases, ASA officials provided subsequent documentation in their responses that is not consistent with information provided during the audit, creating credibility issues. We gave ASA officials an appendix to this report under separate cover, which includes detailed schedules of the audit disallowances and findings relating to disallowances contained in the 1996 audit report which were dropped, or retained, as well as specific examples of the conflicting information provided by ASA officials which we determined is unreliable.

Audit Disallowances

The following table summarizes the disallowances that resulted from our audit.

Disallowances from the Statistical Sample	Number of Awards	Amount	
Students Who Graduated Without Meeting Requirements:			
1,440 Hours	32	$33,182	
Core Curriculum Requirements	33	34,445	
Students Who Did Not Graduate:			
Full-Time Attendance	3	2,989	
Insufficient Course Hours	2	1,926	
Total Sample Disallowances	70	72,542	
Less: Disallowances for More Than One Reason	26	26,804	
Net Sample Disallowances	44	$45,738	
Projected Disallowance			$691,652
Disallowances from Outside the Statistical Sample Period			
Students Who Graduated Without Meeting Requirements:			
1,440 Hours	4	$3,600	
Core Curriculum Requirements	3	2,900	
Total from Outside the Statistical Sample	7	6,500	
Less: Disallowances for More Than One Reason	2	1,800	
Net Disallowances from Outside the Statistical Sample	5		4,700
Total Audit Disallowance			$696,352

The various types of disallowances are discussed in the following sections of this report. Details of the statistical projection, students' names and related information were provided to ASA officials separately.

General Requirements

Registered business schools must follow requirements established in the Education Law (Law), the Commissioner of Education's Rules and Regulations (Regulations) and SED guidelines to schools to ensure that their course hours are taught in an educationally sound manner.

These requirements include:

Section 661 of the Law requires that a student be in full-time attendance, as defined by the Commissioner of Education, to be eligible for financial aid awards. Any course hours which a student is offered in an educationally unsound manner do not count toward a student's full-time status.

Section 5002 of the Law requires registered business schools to employ teachers who are licensed by SED for subjects they teach. ASA is responsible for ensuring that its teachers are properly licensed for the courses they teach. Based on SED's licensing decisions, we did not count hours toward a student's TAP eligibility for courses taught by teachers who were not licensed for subjects they were teaching.

Section 601.4 of the Law requires that students attending a registered business school be enrolled in an approved two-year program to be eligible for TAP awards. For each course in the program, the school determines the minimum number of hours to be provided to students. SED reviews and approves the programs including courses and minimum course hour requirements.

Course hours that are not taught according to these requirements are not counted in determining a student's TAP eligibility. To determine TAP disallowances for each student, we reviewed the school's attendance registers and other relevant records to calculate hours that students were not taught in an educationally sound manner. For students who graduated, we determined whether the school provided a program which met the minimum 1,440-hour requirement and whether the school provided the core courses required by SED.

Students Who Graduated Without Meeting Requirements

Criteria - Section 601.4 of the Law requires that students attending a registered business school be enrolled in an approved two-year program to be eligible for TAP awards. Section 145-2.3 of the Regulations defines an approved program as one that provides at least 1,440 instructional hours and is approved by SED under Section 126 of the Regulations.

The program approved by SED establishes the specific core curriculum that SED has determined provides the most essential skills or competencies needed for students to meet the occupational objectives of the program. SED has established criteria to determine whether any deviations from the approved program's core requirements are serious enough to cause the program to lose its approved status for TAP purposes. SED has concluded that a program's TAP eligibility

is lost if a core course is offered for less than 90 percent of its approved length and the total number of educationally sound instructional hours offered is less than 1,440. In counting course hours, we excluded hours that were taught in an overcrowded class, hours taught by an unlicensed teacher, and hours where a student was not in full-time attendance.

Audit Determination - We identified 32 awards from the statistical sample and four awards from outside the sample period that were paid to students who graduated but were not offered programs that provided at least 1,440 approved instructional hours as required by the Regulations. We also identified 33 awards from the statistical sample and three awards from terms outside the sample period that were paid to students who graduated but did not successfully complete their program's core requirements.

These disallowances resulted from courses which were offered for less than the approved number of hours and/or offered to students who had not passed the approved prerequisite requirements. Since these course hours were provided in an educationally unsound manner, the hours do not count toward the students' 1,440-hour graduation requirement. Also, after subtracting these course hours, we determined that some core courses were offered for less than 90 percent of the hours approved by SED.

School Officials' Position - ASA claimed that the appropriate number of course hours was provided to students and that the problems cited in a previous version of this report were caused by clerical errors made during the preparation of the attendance registers. To support its claim, ASA submitted schedules showing the number of course hours to be provided daily for the courses we questioned and lesson plans for some courses. ASA also provided the instructors' time sheets, and in some cases teachers' schedules, which showed the time of each course and the group of students assigned to each instructor. Further, ASA officials provided one affidavit from a teacher to support the hours that one course was taught. Finally, ASA's attorney, in his latest response to the current draft report, provided a copy of a 1989 SED guideline relating to student-to-teacher ratios and an analysis of attendance registers from another school. This additional documentation is irrelevant to the issues at ASA and outdated because the Regulations were revised in 1991.

Auditors' Comments - Regarding the number of course hours provided, documentation subsequently submitted by ASA did show sufficient evidence that certain courses were offered as approved by SED. In those cases, ASA provided evidence that clearly showed the students were in the course for the appropriate number of hours. We therefore eliminated preliminary disallowances as to these awards.

In the cases where we retained our disallowances, information subsequently submitted by ASA still did not adequately support that the student was offered the course hours required in an educationally sound manner. For example, in determining whether ASA provided the appropriate number of course hours for an Income Tax Preparation course, we reviewed the school's daily student attendance registers for a group of students enrolled in this course. The register showed that only 75 hours were provided, instead of the required 90 hours. ASA also submitted teachers'

schedules and an affidavit from one teacher that were not previously offered during the audit. We cannot accept these documents due to our concerns about the veracity of the documents. ASA had many opportunities and submitted numerous responses in the past which did not include these documents.

Also, some documents included in the school's response conflict with one another. For example, lesson plans provided for some courses showed class work planned on days that the attendance register indicated were holidays and that the school was closed. We also found that the information on one teacher's schedule contradicts information on the attendance registers. Further, to explain these deviations ASA responded that lesson plans are used as guides for what material will be taught, not specifically when the material will be taught. Based on this response, we can not except lesson plans to support specific days that courses were offered that were not adequately documented by ASA's attendance registers.

Additionally, we found information submitted by ASA officials in response to the July 3, 1997 audit report conflicted with information which ASA previously supplied. For example, we found one group of students who were not offered the required number of hours for Manual Accounting III. The group schedule provided by ASA during the audit and in response to the original draft report showed that Manual Accounting III was scheduled for five hours per day from June 25, 1993 through July 13, 1993. However, ASA officials now say that the course actually was offered for two hours per day from June 9, 1993 through June 24, 1993 and then three hours per day from June 25, 1993 through July 13, 1993. Moreover, ASA officials stated that instructor Holmes was assigned to teach Manual Accounting III for the first three weeks. However, we found that the attendance registers for this course did not indicate that instructor Holmes started teaching until June 13, 1993. Additionally, the lesson plan submitted by ASA for this course showed that instructor Leach was the teacher.

We found one example where ASA officials' responded that the appropriate hours were offered. However, the course hours noted on the attendance registers which were included in their response totaled 49 hours, not the 60 hours that the group schedule showed.

Based on such inconsistencies, we did not accept many of ASA's assertions. Section 126.4 of the Regulations requires each school to maintain specific information on its attendance registers. Many of ASA's attendance registers and other documentation submitted did not support contentions that the students were provided with the program as approved by SED. Also, we provided examples of some conflicting information to ASA officials separately. This information shows attendance registers where the course headings were changed in ASA's response. In some cases, where ASA changed the course headings, the teacher who taught the course was not licensed to teach this new course. In any event, potentially altered school records cannot be used to demonstrate compliance with TAP eligibility requirements.

Students Who Did Not Graduate

Full-Time Attendance

Criteria - Section 145-2.1 of the Regulations states that in noncollegiate programs, which measure study in terms of instructional hours, full-time study requires at least 24 instructional hours a week.

Audit Determination - We identified three awards from the statistical sample that were paid to students who did not meet the full-time attendance requirement because certain courses were taught in an educationally unsound manner. These courses were either taught by an unlicensed teacher or were offered for less than the approved number of hours.

School Officials' Position - ASA officials told us that the appropriate number of course hours was provided to the students whose awards we disallowed. The officials also told us that the one instructor was licensed or had been allowed by SED to teach without a license. ASA officials submitted documentation to support their position.

Auditors' Comments - Based on the documentation included in ASA's response and information received from SED concerning whether teachers were licensed, we reduced some of our original disallowances. However, we maintain that three awards were paid to students who were not in full-time attendance because two students were not offered the required number of hours and one student was taught by a teacher who was not licensed for the course taught.

Insufficient Course Hours

Criteria - The minimum number of instructional hours for each course is determined by the school. When curricula are submitted to SED for approval, the course hours to be provided are included and approved by SED. The school is then required to provide students with the number of instructional hours approved by SED.

Audit Determination - We identified two awards from the statistical sample that were paid to students who attended courses that were offered for less than the approved minimum hours.

School Officials' Position - ASA officials told us that the approved number of course hours was provided to these students, and submitted documentation including lesson plans to support their position.

Auditors' Comments - The documentation submitted by ASA conflicted with other documentation we reviewed or did not support the contention that the students were offered the minimum number of course hours. Therefore, we cannot rely on this documentation to substantiate the school's position.

Other Matters Needing Attention

Excessive Make-Up Class Hours

Criteria - It is SED's policy to permit schools to allow students who miss more than 20 percent of the course hours to make up the hours. However, the make-up hours must be provided using the approved method of instruction for the program.

Audit Determination - We identified two students who missed more than 50 percent of the class hours in English-as-a-Second Language (ESL). These students were allowed to make up the missing hours by completing certain assignments - often exercises in a workbook. SED officials, in their response to our request for guidance on this issue, stated that they believed that ESL must be taught with a teacher present to provide the necessary conversational skills and guidance required for success. The method used by ASA was similar to independent study, rather than the approved classroom method of instruction. Therefore, it would be educationally unsound, since the ESL classes were approved to be taught in a traditional classroom setting. Although this practice did not result in TAP disallowances, we are referring this matter to SED for its review.

School Officials' Position - ASA officials did not respond to this issue.

Courses Missing Less Than 10 Percent of SED Approved Hours

Criteria - Registered business schools are required to teach a program as approved. This includes providing students with the number of course hours as approved by SED. In the past SED has allowed schools to deviate up to 10 percent from the approved course hours before the entire course is not counted toward the student's program requirements.

Audit Determination - We found ASA offered many of its students with less than the SED approved course hours. Often, the missing hours were below the 10 percent limit set by SED. Although we took no disallowances we question the effect of this practice on the quality of ASA's educational programs, and refer this matter to SED for its review.

School Officials' Position - ASA officials did not respond to this issue.

Recommendation to the Higher Education Services Corporation

Recover $696,352 plus applicable interest from ASA for its incorrect TAP certifications.

Recommendations to the State Education Department

1. *Ensure that ASA is in compliance with the applicable sections of the Law and the Regulations.*

2. *Review ASA's methods of providing make-up class hours to ensure that the methods are the same as the approved course methods.*

3. *Review ASA's practice of providing less than the required number of course hours to ensure that students are receiving the program as approved.*

Major contributors to this report were William Challice, David R. Hancox, Frank Russo, Kenneth Shulman, Lu Pham, Kitty Cheung, Orin Ninvalle, and Donald Collins.

We wish to express our appreciation to the management and staff of ASA Institute of Computer and Business Technology, Inc. for the courtesies and cooperation extended to our auditors during this audit.

Yours truly,

Carmen Maldonado

Carmen Maldonado
Audit Director

cc: Robert L. King
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